

CONFIDENTIAL

Approved For Release 2001/05/01 : CIA-RDP80-01826R000600160005-8

~~SECRET~~

C.S.B. file

REPORT
TO THE
CIA CAREER SERVICE BOARD
FROM
THE INSURANCE TASK FORCE
IN RESPECT TO
INDEMNITIES AND BENEFITS
FOLLOWING
DEATH AND DISABILITY

DOCUMENT NO. _____
NO CHANGE IN CLASS ☐
☐ DECLASSIFIED
CLASS. CHANGED TO: TS S *02011*
NEXT REVIEW DATE: _____
AUTH: HR 73-2
DATE *1 JUL 81* REVIEWER: 029725

Approved For Release 2001/05/01 : CIA-RDP80-01826R000600160005-8

CONFIDENTIAL

CONFIDENTIAL

THE INSURANCE TASK FORCE MEMBERSHIP

Chairman:
Member and Sec'y:
Member:
Member:

Security Advisor:
Security Advisor:
Security Advisor:

Consultant:
Consultant:
Consultant:

SA - DD/P
PRDS - Personnel 25X1A9a
ESD - Personnel
Deputy Gen. Counsel

Office of Security
Staff C
Chief, Plans - FI 25X1A5a1

(All Consultants cleared Top-Secret)

25X1A

CONFIDENTIAL

~~CONFIDENTIAL~~

~~SECRET~~

CONTENTS

Foreword

1. Statement of the problem.
2. Assumptions.

PART I as to death.

3. Facts
 - a. Statistics excerpted from TAB A
 - b. Existing available protective measures " " TAB B
4. Discussion
5. Conclusions
6. Recommendations

PART II as to disability.

3. Facts
 - a. Statistics excerpted from TAB C
 - b. Existing available protective measures, " " TAB D
4. Discussion
5. Conclusions
6. Recommendations

- TAB A Statistics as to death
- TAB B Existing Available Protective Measures " " "
- TAB C Statistics as to disability
- TAB D Existing Available Protective Measures " " "
- TAB E Appendices.

- I. WAEPA letter re broadened air-flight acceptance
- II. WAEPA letter re broadened membership eligibility
- III. WAEPA letter re broadened employee coverage
- IV. The attribution factor [REDACTED]
- V. Definition of "employee" groups by CIA regulation
- VI. Hazardous duty in OTR
- VII. Hazardous duty in TSS
- VIII. Hazardous duty in operations, - per FE
- IX. Miscellaneous expression of insurance interests by random selection of DD/P officers.
- X. Procedure and sources in obtaining CIA and other death and disability figures.
- XI. Premium change if Omaha matches GHI surgical.
- XII. Full text of [REDACTED] Congressional testimony.
- XIII. Excerpt on health insurance from TODAY'S WOMAN, 1953 (Fawcett Publications, Inc.), written by Jack Harrison Pollack.

25X1A

25X1A9a

~~CONFIDENTIAL~~

SECRET

FOREWORD

Because of the complexity of this subject, it is deemed best to make the presentation in two parts - first, as to death, and then disability.

Clearly, what the Agency should do, if anything, in these fields, is properly considered only after review of existing available protective measures. Accordingly, this presentation is so organized.

Warning is given that the statistics following in respect to death are somewhat untrustworthy in the earlier years especially and, overall, may be too meagre to be fully significant. They are, however, indicative and useful.

Agency procedures and systems in respect to records of death and disability should be tightened and so organized that continually in the future, this type of Agency vital statistics is immediately ready for any desired analysis by appropriate officers. This is especially important in the field of disability (hospitalization) because of the growing country-wide interest, information and change in such group plans.

Further, interpretation and application of P.L. 110 in respect to overseas illnesses must always be carefully weighed together with the employee's membership in a group hospitalization plan. Full justice to the employee includes concern not only for costs to the Government but also concern for the degree of employee participation, and his premium costs, in any group plan offered.

The Task Force finds grievous lack of knowledge in the employee group as to the individual's beneficial rights, especially under that important and excellent piece of legislation known as the Federal Employees Compensation Act. This is also true, but now less so, as to the War Agencies Employees Protective Association life insurance. It is suggested that if future disseminations of such nature are dressed up modestly, they are less likely to hit the waste basket without reading. More importantly in this connection, the Task Force directs explicit criticism to the culpable failure of the Agency and its executive or administrative officers to assure that needful information reaches all persons concerned.

All of this material should be made available to the Chief, Medical Office, for his appropriate and proper technical contribution to personnel administration.

SECRET

SECRET

Approved For Release 2001/05/01 : CIA-RDP80-01826R000600160005-8

TO : CIA Career Service Board

FROM : Insurance Task Force

SUBJECT : Employee and Family Beneficial Coverage in Respect to Death and Disability

1. PROBLEM: What employee and family indemnity and beneficial insurance coverage should the Agency arrange to have offered in order to remedy or alleviate any possible existing injustice, to alleviate personal and family concerns which dilute or distract from attention to mission, to demonstrate community of interest, and to promote the concept of career.
2. ASSUMPTIONS: The Task Force believes:
 - a. That from the point of view of constructive personnel administration the Agency has a deep interest, if not obligation, to assist its employees to meet life's more serious exigencies, whether imposed by mission or not.
 - b. That there do exist particular security problems for the Agency in the field of life and disability insurance.
 - c. That the nature of CIA mission requires a quality of personal action which is founded in a well-rounded and developed career concept.
 - d. That the Agency, as others, desires to take advantage for its employees of existing benefits commonly extended only to groups as such - or to create appropriate new benefits.
 - e. That the Agency adopts the principle that over and above present available benefits, the employee is responsible for securing himself, with his own means, the needful life (and disability) protection.

SECRET

Approved For Release 2001/05/01 : CIA-RDP80-01826R000600160005-8

SECRET

PART I

3. Facts in respect to death

- a. Excerpted from Tab A are the end-product death statistics for staff employees and staff agents for the years obtainable and valid comparison with the Department of State. Because age is obviously a factor, some information on this score is also shown. A non-valid comparison with Agriculture is added as a matter of general interest. (Retirees there are permitted to keep a reduced life policy.)

Except for Agriculture, the deaths are all in service i.e., while employed, and the ratios are based on average monthly strength for the years shown.

Because the years '51, '52 and '53 are believed to provide the most trustworthy source material, an average for this period is added.

While these statistics are legitimate in perhaps all of the seven last years, there is no surety that every death shows in our records and in any event the meagreness of the death numerator strongly cautions as to attributing complete significance.

- (1) Death incidence, all causes, all ages - CIA, Department of State, Department of Agriculture Beneficial Association, and U. S. Population as a whole

	CIA(a)	1947	1948	1949	1950	1951	1952	1953	Av. '51, '52, '53
Total deaths		1	5	8	6	12	19	18	16.3
Deaths per 1000 (physical given)			1.63	2.04	1.15				
<u>Foreign Service(b)</u>									
Total deaths	-	-	-	10	15	8	5	8	7
Deaths per 1000 (physical given)	-	-	-	1.86	1.90	.92	.56	1.06	.83
<u>Departmental (State)</u>									
Total deaths	-	-	-	7	18	17(d)	19	12	16
Deaths per 1000 (no physical)	-	-	-	.66	2.29	1.82 (1.29)(f)	1.82	1.47	1.75(a) (1.51)(f)
<u>Agric.B.A.(c)</u>									
Total deaths	-	-	-	182	234	190	217	232	213
Deaths per 1000 (no physical)	-	-	-	11.3	14.5	11.8	13.5	14.4	13.2
<u>U.S. population(e)</u>									
Deaths per 100	-	-	9.88	-	-	-	-	-	-

(a) (b) (c) See Appendix 2, Tab E for sources

(d) Contains 5 deaths from single air crash.

(e) U.S. Public Health Service

(f) If 5 deaths from a single air crash are eliminated the ratios would be as shown

SECRET

PART I

(2) Deaths by office area for 1952 & 1953

	<u>DD/P</u>	<u>DD/I</u>	<u>DD/A</u>	<u>COMMO</u>	<u>OTR</u>
Total deaths	16	9	7	2	3
Deaths per 1000					

25X9A2

(3) Place of death, all 7 years (CIA)

72% in U.S.
15% " Far East
13% " Europe and Near East

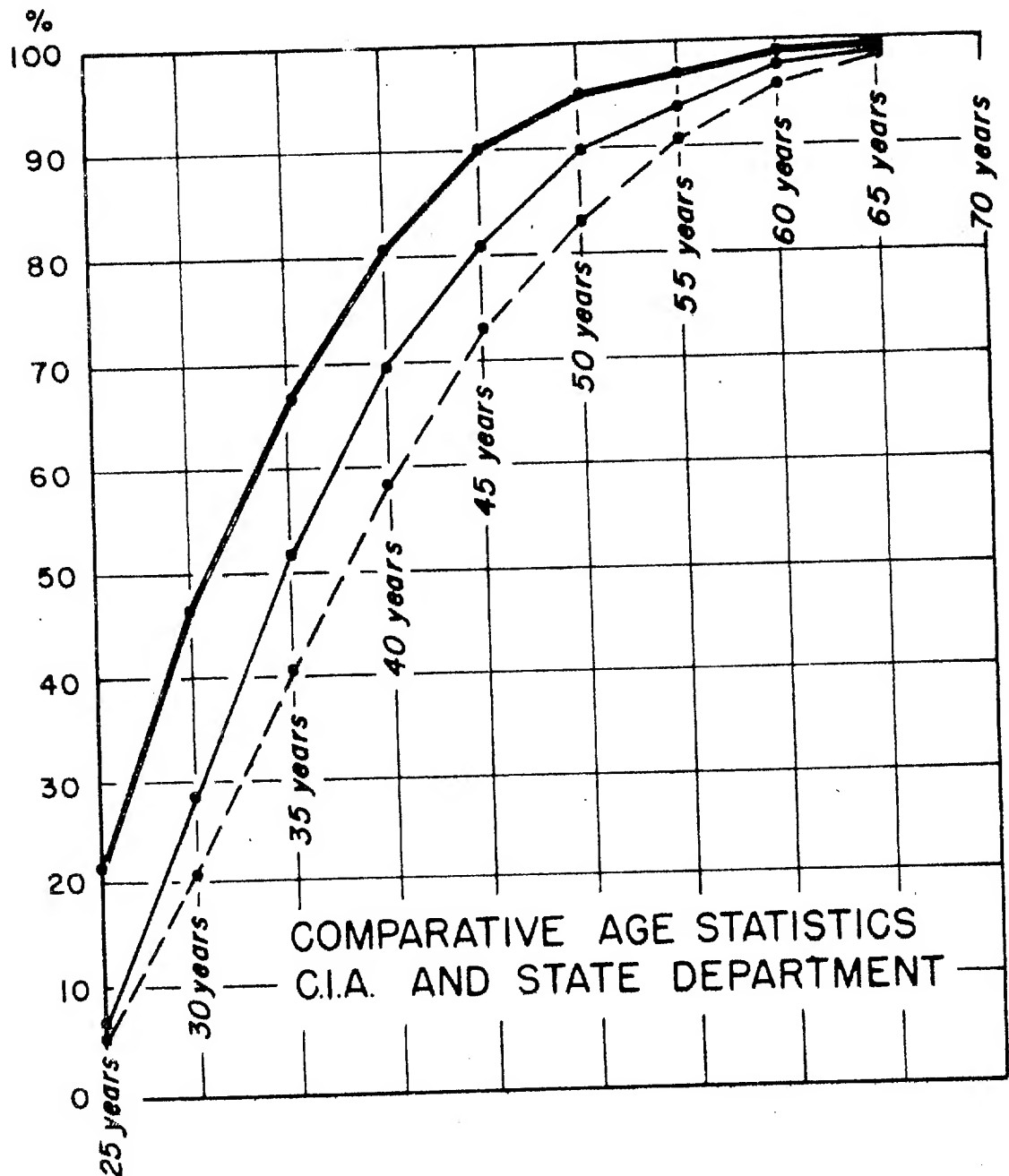
(4) Cause of death, all 7 years (CIA)

<u>Cause</u>	<u>No.</u>	<u>%</u>	<u>U.S. Pop.</u>
Heart	25	35%	32.5%
Cancer	11	16%	13.7%
Illness, other	12	17%	
Accident in performance of duty	8	12%	
Suicide	6	9%	1.1%
Accident not in line of duty	5	7%	
Enemy action	2	3%	
Total	69		
Performance of duty	10	15%	

(5) Ages at death all 7 years, in 3 selected Categories (CIA)

- (a) Heart: General progressive distribution from age 36
- (b) Cancer: Middle Ages
- (c) Suicide: Younger Ages

SECRET



LEGEND: Cumulative % to total personnel by age groups (up to and including 25 yrs.; up to and including 30 yrs.; etc.)

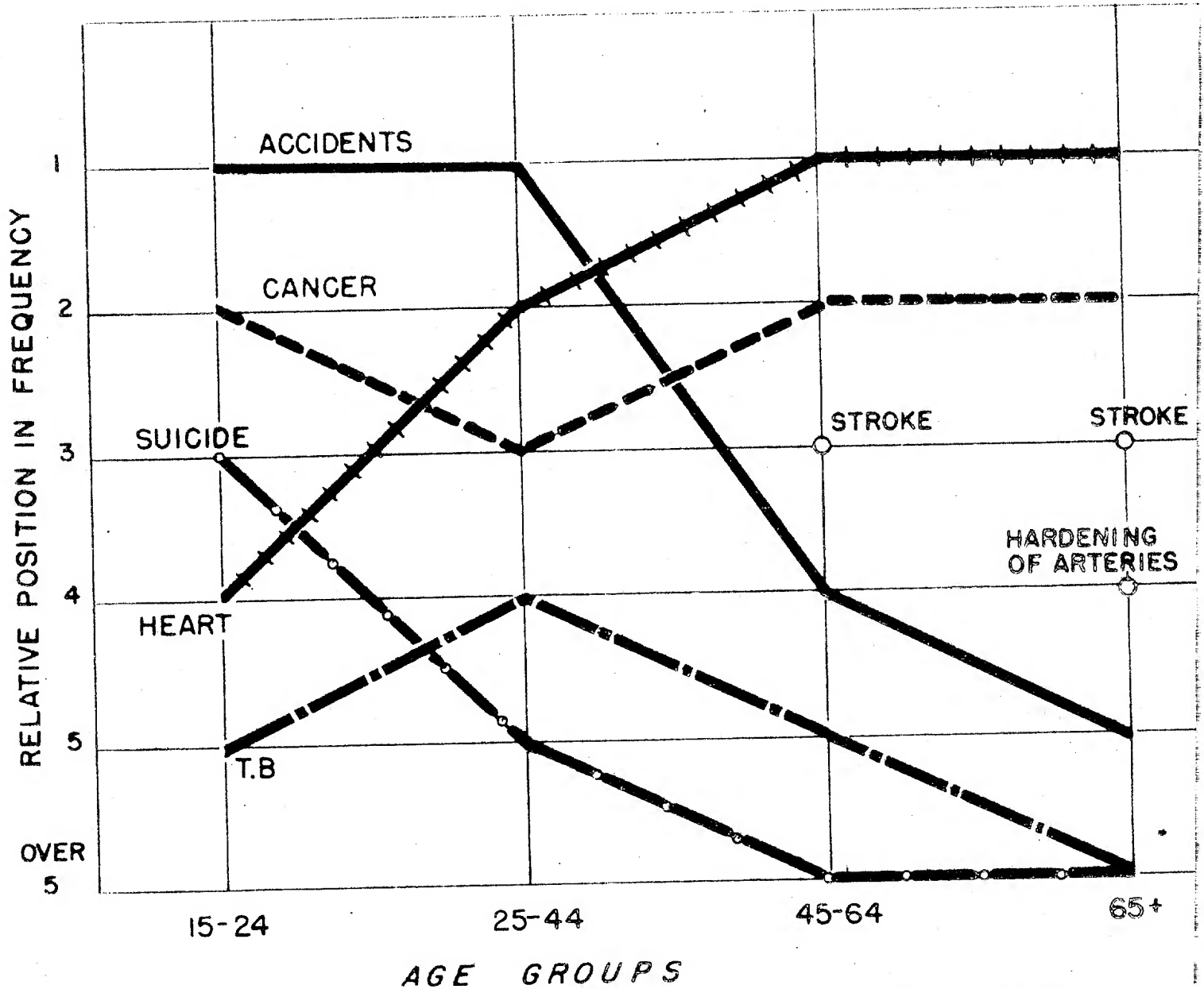
==== CIA — Staff employees and staff agents as of 30 Dec. 1953

—— Foreign Service — All personnel as of January 1954

—— Departmental Dept. of State — All personnel as of January 1954

SECRET

THE FIRST FIVE KILLERS* U.S. POPULATION



*FROM BUREAU OF VITAL STATISTICS
U.S. FEDERAL SECURITY AGENCY
DECEMBER 1953

PART I

b. Existing available protective measures in beneficiary coverage have the following aspects of most importance:

(1) Commercial Ordinary Life policies

- (a) The Basic Policy (Face Amount) excludes coverage if death is occasioned by an Act of War (declared or undeclared) while the insured is in either the military or the civilian service, by air flight in either military or non-scheduled planes for purposes of training, testing, military mission or while acting as a crew member.
- (b) Double Indemnity feature excludes (a) above, plus others.
- (c) Policy is not obtainable if the applicant is scheduled for semi-hazardous or hazardous duty, and, once granted, is voided if the exclusions are offended.

(2) National Service Life Insurance (or U. S. Government Life Insurance)

- (a) Both these policies are limited to veterans and are incontestable from date of issue for any cause except fraud - i.e. no risk exclusion.

(3) Federal Employees Compensation Act

- (a) This Act is an exclusive compensatory remedy for death (and disability) resulting from injuries suffered in performance of duty or from diseases proximately caused by employment.
- (b) It's maximum benefit would equal the income on a capital investment in U. S. H Bonds of about \$210,000.

(c) A hypothetical application in monthly benefits is:

25X1A

<u>Beneficiary</u>	<u>GS-11 Employee dies in U.S.</u>	<u>GS-11 Employee dies</u>
Widow only	\$222.75	\$256.50
Widow and 2 children	328.16	399.00
2 children only	239.16	285.00

(4) Civil Service Retirement Act

- (a) This is primarily a retirement act, annuity in nature, but it does provide small death (and disability) benefits without regard to performance of duty. The principal qualification is 5 years of civilian service - then military service may be added.

SECRET

PART I

(b) A hypothetical application in monthly benefits is:

<u>Beneficiary</u>	<u>GS-11 Employee with 9 yrs.svc.</u>	<u>GS-11 Employee with 15 yrs.svc.</u>	<u>Payable</u>
Widow only	\$33.42	\$55.69	at her age of 50
Widow & 2 children	66.84	111.39	immediately
2 children only	66.84	80.00	immediately

(5) Public Law 110

(a) Maximum death benefits are preparation and transportation of the remains of the employee or member of his family who may die in travel status or abroad to appropriate place of interment.

(6) War Agencies Employees Protective Association (WAEPA)

(a) This is excellent term life and accidental death coverage totaling now \$27,000 available without medical examination or delay, for a premium cost (up to age 41) of \$100.00 per year.

(b) There are no exclusions in the term feature and five (5) in the accidental death category. Most importantly, in respect to air flight, any flight is fully covered if the insured proceeds under orders, directly or indirectly, of the U. S. Government as a passenger.

(c) The premiums seem out of line with experience.

(7) TAB B shows an essential summary application of all these instruments under certain assumed conditions.

4. DISCUSSION, as to death

a. As noted in the statistical compilations, because of the factors of meagreness, some untrustworthiness and incompleteness of statistics in CIA, observations drawn here are set forth as indicative rather than positions taken from full statistical legitimacy.

(1) The Foreign Service of State shows a better record than we do. This might be expected due to the difference in activity and their early retirement plan.

(2) The Department (headquarters of State) shows about the same record as we do.

(3) Unquestionably we present a far better risk than that with which the insurance companies generally contend. However, the assertion that because of our medical examinations (pre-employment and overseas pre-IDY and pre-PCS) and security screening we present a far superior risk potential, seems unwarranted.

(4) Whereas today, in personnel composition, we are an extremely youthful group, it may be expected that with some settling down, this condition

SECRET

SECRET

PART I

will show increasing maturity.

- (5) The potential of risk on the DD/P side shows up both in the ratio for 1952 and 1953 and also in the fact of 8 DD/P deaths out of 10 (for all years) in the performance of duty category. These figures are without reference to deaths arising from illness proximately caused by employment. Six of the seven suicides are on the DD/P side (one was in ISS) and in two cases of the total, it is known that Agency activities were pressing factors.
 - (6) The incidence of death in performance of duty is significant at 15%. However, the Task Force believes that this relatively low ratio can quickly show sharp increase due to our widespread traveling and OTR, ISS and operational activities. The potential in respect to non-scheduled aircraft will be treated verbally as appropriate.
 - (7) For the record, the Task Force desires to point up the ever-present problem - high lighted by death - of potential activity - attribution to the U. S. Government. This is a matter of operational security responsibility which lies in the technical or professional field. The Task Force is not professional, but holds and emphasizes the position that to deny a Staff Agent WAEPA coverage if he desires it, is no answer. The fact of his rights under FECA - which cannot be denied - contains inherently the attribution potential anyway. Perhaps our only way out is to refrain from using employees on sensitive missions. Today this may be an impracticable ideal - but there is the problem. For those interested, the position and answer to this last problem on the part of M16 is detailed in TAB E Appendix IV.
- b. From an analysis of existing available protective features, the following observations are of most importance.
- (1) As to commercial Ordinary Life policies, unquestionably many of the hazards to which substantial numbers of our people are exposed (Ops, OTR, ISS) will void the individual's previously obtained policy and make it impossible for an applicant to obtain such coverage. This is true in respect to the Face Amount, but most especially and more broadly true of the double indemnity and disability features of these policies.

This fact is subject, in part, to cover-story modification, as dictated by security.

The probability of difficulty in respect to voiding of Ordinary Life policies is deemed small, but one case is a misfortune. In the case of employee applications to Acacia and N. Y. Life, assurances from CIA as to non-hazardous duty are routinely required and this is likely to spread. In one case, denial of applied-for insurance was given.

SECRET

PART I

- (2) As to National Service or U. S. Government Life Insurance.
This is handsome coverage in moderate face amount for the veteran who kept it. This insurance is really cheap with no hazard exclusions, in either death or disability features.
- (3) As to FECA. This is excellent coverage for the individual (in disability) and for the family in death, arising from injuries suffered in performance of duty or from diseases proximately caused by employment. All hazardous or semi-hazardous duty is covered.

A problem may lie in sufficiency of coverage for some standards of living (the maximum is \$525.00 per month regardless of size of family). However, it would take an investment of \$210,000.00 in U. S. H Bonds to provide such interest income.

A second problem is security, i.e., attribution to the U. S. Government in sensitive situations - but the indemnity rights here cannot be denied. This is, however, a procedural matter in the field of security - not substantive in respect to dollars.

- (4) As to Civil Service Retirement Act. This is a retirement Act, but it does provide quite inadequate benefits on too limited a basis, for death arising in line-of-duty or not in-line-of-duty-- where FECA doesn't cover.

The problem here - of insufficiency - must be taken together with other available protective features which the individual may have.

- (5) P. L. 110 This Act provides a very small assist in burial only.
- (6) WAEPA. This is valuable moderate face amount coverage for non-accidental death - excellent coverage for accidental death. The policy is valuable because of (a) absence of exclusions in the term feature and but small limitation in the accidental death clause; (b) ease of procurement - no physical examination and immediate availability.

PART I

The problems here are (a) its probably somewhat too high cost - as shown from our experience; (b) the security (attribution) aspects in event of death in a sensitive situation; (c) insufficiency of coverage in certain standards of living.

5 CONCLUSIONS, in respect to death.

- a. There is need to seek replacement provision for potential voiding of an individual's ordinary life policy and to counter-denial of such coverage from the commercial market.
- b. There is no need to seek supplemental beneficial coverage in the field of performance-of-duty.
- (1) The FECA is excellent coverage; when supplemented by the optional coverage of WAEPA, and probable ordinary life (and for a veteran, NSLI) all reasonable Agency obligation and concern is satisfied.
- c. It is desirable to seek, as have others, additional, better, or cheaper life coverage outside the field of performance - of - duty. Our people are young with existing and/or potential family responsibilities.
- (1) The group factor here provides the potential of about 70% saving in premium cost against commercial Ordinary Life.
- d. There is need to subject our WAEPA experience to actuarial scrutiny.
- e. The liberal clauses in WAEPA make it an extremely desirable offering and one not to be jeopardized.
- f. There is need to facilitate the individual's procurement of single trip coverage on scheduled airlines, with arrangement for such offering through-out processing. (This facility has been agreed to by Omaha--as a convenience for us - if we desire to so place it.)
- g. There is need to arrange (probably as above) for trip coverage on non-scheduled and military aircraft. (It is possible to do this securely by special arrangement.)
- h. The "exclusive remedy" aspect of FECA precludes the expenditure of appropriated dollars for the individual's benefit, in either premium cost or other substantive benefit in the life field. (excepting the small benefit in PL 110).

PART I

However, because of the nature of Agency mission - its high demand for devotion, its general and overriding security demands, the Agency must be prepared to spend appropriate needful administrative dollars to backstop all proper beneficial coverage measures.

- i. WAEPA shall not be denied a staff employee or staff agent at any time. The attribution factor contained in FECA is overriding. Choice must be confined to the person for the mission.
- j. At the present time, the Task Force is not looking to legislation for resolution of our insurance problems.
- k. As fully illustrated from lack of knowledge among our employees of FECA - almost entirely, and of WAEPA - less so now, we must consider new ways and means to get information over to our employees. This is vitally important first in respect to mission, then in justice to the employee and last in respect to the importance of long-time solid career development program.
- l. Many aspects of the foregoing ask for technical insurance consultation with actuarial study, to conclude in respect to appropriate existing supplemental measures or self-insurance.

SECRET

PART I

6. RECOMMENDATIONS, as to death

After consultation [REDACTED] and based upon their views as to how best approach our insurance problem in respect to death, the Task Force recommends the following plan:

25X1A

- a. Offer to all Agency Staff employees and Staff Agents, the opportunity to secure group term life coverage with conversion privilege and premium waiver for disability along the following lines:
 - (1) For salaries under \$3,200 annually, an optional coverage range with a minimum to equal the nearest \$1,000 of salary and a maximum of \$6,000.
 - (2) For salaries over \$3,200 annually, an optional coverage range with a minimum to equal the nearest \$1,000 of salary and a maximum of \$15,000.
- b. Add \$15,000 accidental death coverage to the foregoing in each policy.
- c. Provide in the plan for the same exclusion leeway as presently in the WAEPA contract and the same procedural (security) handling as Omaha Mutual Benefit Health & Accident Association now has with us in the hospitalization field.
- d. Put this plan up to United Benefit Life Insurance Company of Omaha, Nebraska for costing, i.e., for their firm offer as to premiums.
- e. Ask WAEPA to bid on this same plan.
- f. Take the product of Omaha's offer (and of WAEPA, if any) to the [REDACTED] for assessment against self-insurance on the same plan. [REDACTED] would then not only point up the cost advantage (premiums) of self-insurance, but also outline risks to us in so undertaking.

25X1A
25X1A

SECRET